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## Issue #3 TDH Hospitals

### *How should the state best provide in-patient health care services for indigent clients in South Texas and tuberculosis patients?*

#### Background

During the last legislative session, an appropriations rider to House Bill 1 directed TDH to pursue a long-range plan to include the following:

- A cost-benefit analysis of the use of the Texas Center for Infectious Disease in San Antonio and South Texas Hospital in Harlingen as in-patient and out-patient sites, including a presentation of options and an evaluation of whether options other than maintaining the hospitals should be pursued;
- An identification of services currently provided at these two hospitals, including numbers of persons served and the need for these services; and
- A review of the TDH evaluation of service needs addressed under the Medicaid state plan amendment for tuberculosis (TB) clinic services. This review should indicate whether there is any opportunity for additional Medicaid reimbursement for TDH hospital services under the state plan amendment.

#### Current Authority

TDH has authority under Chapter 13, Subchapter B, of the Health and Safety Code, for managing state chest hospitals, which have been in operation since 1954 at the San Antonio and Harlingen sites. In addition to providing tuberculosis services, the hospitals are authorized to provide care to those afflicted with other infectious and/or chronic respiratory diseases, and serve as the quarantine facility for individuals under specified conditions. TDH also is authorized to provide cancer screening, diagnostic services, educational services, and gynecological services at these facilities.

#### Discussion

The TDH hospitals are caught in the same trends that are affecting all hospitals. More people fall into the categories of uninsured and underinsured, which increases the amount of charity care and uncompensated care provided by hospitals. At the same time, managed care has led the trend to force many hospitals to minimize reimbursements for paying patients. Overall, public hospitals face two major threats from the growth of Medicaid managed care: absolute loss of market share as provider contracts are awarded to other providers and adverse risk selection if other providers market their services to only the healthiest Medicaid recipients. As a result of the trends, a number of hospitals in Texas have closed or downsized.

In addition to the challenges all hospitals face, TDH hospitals also must address the unique and often costly treatment needs for tuberculosis patients. Tuberculosis is a long-standing problem in Texas, and the advent of multiple drug resistant tuberculosis (i.e., tuberculosis that does not

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respond to the regimen of drugs typically used in treatment) requires more costly treatment regimes. About 5 percent of all patients treated for tuberculosis will need in-patient care during the time of their treatment. The eight patient units provided by TDH in its two hospitals have been well used, with waiting lists occurring in the last year.

As a result of the increased need for tuberculosis and other authorized services and the decrease in patient revenue, neither TDH hospital has adequate funding to provide all of the services that they are authorized to provide and to maintain the aging facilities. The hospital facilities are in dire need of improvements. Cosmetically, the appearance of the facilities are generally acceptable. The facility failures are related to electrical overload, air handling problems, asbestos abatement, and other structural problems.

### *Challenges*

The issues that must be considered when debating whether TDH should continue to operate the hospitals include the following:

- Treatment of tuberculosis is a critical public health issue that must be performed in accordance with strict medical protocol.
- Treatment of multi-drug resistant tuberculosis is expensive and long term, and most patients who have this form of the disease do not have insurance.
- Treatment of tuberculosis patients is often complicated by complex behavioral and social issues.
- Since the hospitals are authorized to do more than just treat tuberculosis, they have become important health care providers in the community, especially in South Texas.
- The local economy, especially in the case of Harlingen, is supplemented by the jobs created by the hospital.
- The facilities are expensive to operate and maintain, and TDH no longer has the revenue sources or the flexibility to cover the recurring costs.

### *Recommendation*

Through the direction of the appropriations rider, TDH should provide options and an in-depth analysis of the options for providing care to indigent clients in South Texas and tuberculosis patients. Options for continuing services currently provided by the two hospitals could range from closure of the facilities to privatization to building new facilities. Each of the options in the final report will address unique pros and cons on issues such as: impact on reasonable access to services; availability of treatment, expertise, and support; cost to implement; operating cost and cost effectiveness; and economic impact to local economies.